

ACADEMY FOR BUSINESS & TECHNOLOGY
Report on Financial Statements
(with required supplementary and additional information
and single audit supplement required by OMB Circular A-133)
For the Fiscal Year Ended
June 30, 2008

**Academy for Business & Technology
Financial Report
For the Fiscal Year Ended
June 30, 2008**

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Independent Auditors' Report

To the Board of Directors
Academy for Business and Technology
19625 Wood Street
Melvindale, Michigan 48122

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy for Business and Technology as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Academy for Business and Technology's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy for Business and Technology, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

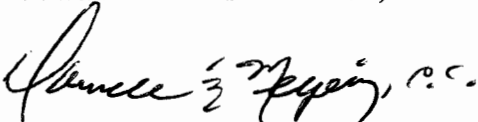
In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008, on our consideration of the Academy for Business and Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xii and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy for Business and Technology's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Academy for Business and Technology. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script, appearing to read "Darnell & Meyering, P.C.", written in dark ink.

October 20, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Academy for Business & Technology's annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy's net assets decreased by \$159,329.
- Revenues of the General Fund were \$6,195,962 while expenses were \$6,348,179.
- Capital outlay was \$17,772.
- The Academy retired \$185,926 in debt during the year.
- Federal source revenues increased by \$130,265, state source revenue decreased by \$407,426.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy.

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Academy for Business & Technology Annual Financial Report

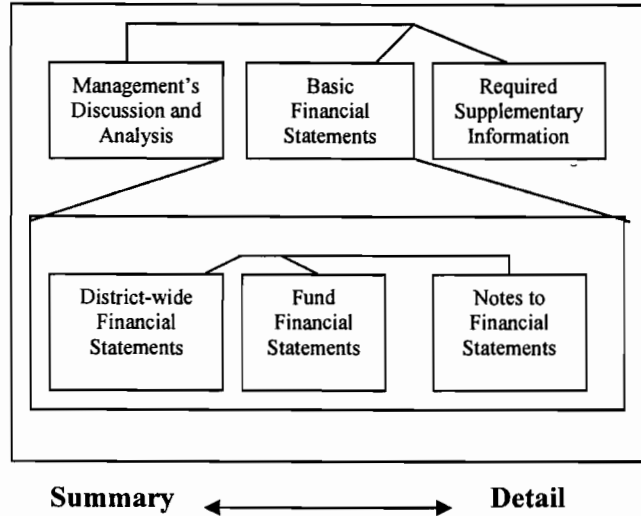


Figure A-2 summarized the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
		Governmental funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities – The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The Academy has two kinds of funds:

Governmental funds – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Agency funds – These funds account for assets held by the Academy for student and parent activity groups.

Financial analysis of the Academy as a whole

Net assets - the Academy's combined net assets were \$1,356,113 on June 30, 2008. See Figure A – 3.

The total revenues decreased by approximately 4 percent to \$6,478,019. State aid foundation allowance included in revenue from state sources accounts for almost 85 percent of the Academy's general fund revenue.

The total cost of instruction increased by over 8 percent to \$2,862,125. Total support service expenses increased more than 4 percent to \$3,333,426.

The Academy's stable financial position is the product of managing expenses appropriately in relation to revenue received.

Academy governmental activities

The stable health of the Academy's finances results from the proper management of expenses. There was a decrease in the state aid foundation allowance during the 2007-2008 school year. The school board oversaw the Academy's financial activities while the administration carefully managed expenses.

Figure A-3		
Academy for Business & Technology		
	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,526,804	\$ 1,461,928
Capital assets (net)	774,137	998,029
Total assets	<u>2,300,941</u>	<u>2,459,957</u>
Current liabilities	944,828	902,162
Noncurrent liabilities	-	42,353
Total liabilities	<u>944,828</u>	<u>944,515</u>
Net assets		
Invested in capital assets, net of related debt	748,298	786,264
Unrestricted	<u>607,815</u>	<u>729,178</u>
Total net assets	<u>\$ 1,356,113</u>	<u>\$ 1,515,442</u>

Figure A-4
Changes in Academy for Business & Technology's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Charges for Service	\$ 57,457	\$ 57,331
Federal and State categorical Grants	1,368,340	1,321,245
General revenues:		
State aid - unrestricted	5,052,012	5,354,951
Other	210	154
Total revenues	<u>6,478,019</u>	<u>6,733,681</u>
Expenses:		
Instruction	2,862,125	2,644,922
Support services	3,333,426	3,204,542
Community services	22,655	23,361
Food services	222,055	231,121
Athletics	29,895	27,738
Loss on sale of fixed assets	-	6,672
Interest expense	30,710	52,062
Unallocated depreciation	136,482	139,065
Total expenses	<u>6,637,348</u>	<u>6,329,483</u>
Increase (Decrease) in net assets	<u>\$ (159,329)</u>	<u>\$ 404,198</u>

Financial analysis of the Academy's funds

The financial performance of the Academy as a whole is reflected in its governmental fund as well. As the Academy completed the year, its governmental funds (general) reported a fund balance of \$607,838, a decrease of \$122,110 over last year's ending fund balance of \$729,948.

General fund budgetary highlights

Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account for student enrollment counts, federal funds, and changes in assumptions (e.g. staffing changes, attorney fees, and utility costs) since the original budget was adopted.

While the Academy's final budget for the general fund anticipated expenditures would exceed revenues by \$261,089 the actual results for the year showed revenues under expenditures of \$122,110.

Actual revenues were \$7,014 more than budgeted due mainly to the receipt of federal funds being greater than anticipated.

The actual expenditures were \$76,649 under budget due to various expenditures coming in lower than anticipated.

Capital asset and debt administration

Capital assets

By the end of the year ended June 30, 2008, the Academy had invested \$774,137 in capital assets consisting primarily of leasehold improvements, site improvements, computers, equipment, furniture, educational media and textbooks net of accumulated depreciation. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$241,664.

The Academy's capital assets are as follows:

<p align="center">Figure A-5 Academy for Business & Technology's Capital Assets</p>				
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>June 30, 2008 Net Book Value</u>	<u>June 30, 2007 Net Book Value</u>
Leasehold Improvements	\$ 1,361,066	\$ 692,696	\$ 668,370	\$ 851,099
Site Improvements	12,265	2,852	9,413	11,011
Computers, Equip. and Furniture	337,974	251,995	85,979	122,738
Educational Media and Textbooks	16,801	6,426	10,375	13,181
Total	<u><u>\$ 1,728,106</u></u>	<u><u>\$ 953,969</u></u>	<u><u>\$ 774,137</u></u>	<u><u>\$ 998,029</u></u>

Long-term debt

At year end the Academy had \$25,839 in long term obligations – a decrease of \$185,926 from last year. (More detailed information about the Academy’s long-term liabilities is presented in Note 7 to the Financial Statements).

Figure A-6		
Academy for Business & Technology Outstanding Long-term Debt		
	2008	2007
Construction Loan	\$ 25,839	\$ 211,765
Total	\$ 25,839	\$ 211,765

Factors bearing on the Academy’s future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

The 2008-2009 foundation allowance (state aid funding) from the State of Michigan has not been determined at this point. The foundation allowance represents more than 80 percent of the total Academy revenue. The uncertainty of the State’s financial condition is cause for concern.

Contacting the Academy’s financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 4660 S. Hagadorn Rd., East Lansing, Michigan 48823.

Academy for Business and Technology
Statement of Net Assets
June 30, 2008

Assets	<u>Governmental Activities</u>
Current assets:	
Cash and equivalents	\$ 282,329
Receivables:	
Other governmental units	1,147,773
Prepaid expenses and security deposits	<u>96,702</u>
Total current assets	<u>1,526,804</u>
 Noncurrent assets:	
Capital assets	1,728,106
Less accumulated depreciation	<u>(953,969)</u>
Total noncurrent assets	<u>774,137</u>
 Total assets	 <u>\$ 2,300,941</u>
 Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 31,675
Contracts payable	193,193
Accrued expenses	363,511
Due to agency funds	3,556
Note payable	188,364
Deferred revenue	138,667
Accrued interest	23
Renovation loan payable	<u>25,839</u>
Total current liabilities	<u>944,828</u>
 Total liabilities	 <u>944,828</u>
 Net assets:	
Invested in capital assets - net of related debt	748,298
Unrestricted	<u>607,815</u>
Total net assets	<u>1,356,113</u>
 Total liabilities and net assets	 <u>\$ 2,300,941</u>

See notes to financial statements.

Academy for Business and Technology
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants & Contributions	
Governmental activities:				Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 2,862,125	\$ -	\$ 1,159,345	\$ (1,702,780)
Support services	3,333,426	21,356	-	(3,312,070)
Community services	22,655	25,389	-	2,734
Food services	222,055	10,712	208,995	(2,348)
Athletic services	29,895	-	-	(29,895)
Interest expense	30,710	-	-	(30,710)
Unallocated depreciation	136,482	-	-	(136,482)
Total governmental activities	\$ 6,637,348	\$ 57,457	\$ 1,368,340	(5,211,551)
General revenues:				
State of Michigan school aid unrestricted				5,052,012
Miscellaneous				210
Total general revenues				5,052,222
Change in net assets				(159,329)
Net assets, beginning of year				1,515,442
Net assets, end of year				\$ 1,356,113

See notes to financial statements.

Academy for Business and Technology
Balance Sheet
Governmental Funds
Year Ended June 30, 2008

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Assets:			
Cash and equivalents	\$ 282,329	\$ -	\$ 282,329
Receivables:			
Other governmental units	1,147,773	-	1,147,773
Deposits	36,667	-	36,667
Prepaid expenses	60,035	-	60,035
Total assets	<u>\$ 1,526,804</u>	<u>-</u>	<u>\$ 1,526,804</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 31,675	\$ -	\$ 31,675
Contracts payable	193,193	-	193,193
Revenue anticipation note	188,364	-	188,364
Due to agency funds	3,556	-	3,556
Accrued expenses	363,511	-	363,511
Deferred revenue	138,667	-	138,667
Total liabilities	<u>918,966</u>	<u>-</u>	<u>918,966</u>
Fund balances:			
Reserved for prepaid expenses and deposits	96,702	-	96,702
Unreserved, undesignated	511,136	-	511,136
Total fund balances	<u>607,838</u>	<u>-</u>	<u>607,838</u>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Total liabilities and fund balances	<u>\$ 1,526,804</u>	<u>\$ -</u>	<u>\$ 1,526,804</u>
Total governmental fund balances			\$ 607,838
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are financial resources and are not reported in the funds			
The cost of capital assets is		\$ 1,728,106	
Accumulated depreciation is		<u>(953,969)</u>	774,137
Long term liabilities are not due and payable in the current period and are not reported in the funds			
Long term obligations			(25,839)
Accrued Interest Payable			<u>(23)</u>
Net assets of governmental activities			<u>\$ 1,356,113</u>

See notes to financial statements.

Academy for Business and Technology
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 46,955	\$ -	\$ 46,955
Other non-educational/political entity sources	11,642	-	11,642
State sources	5,412,018	9,459	5,421,477
Federal sources	725,347	199,536	924,883
Food sales	-	10,712	10,712
Total revenues	<u>6,195,962</u>	<u>219,707</u>	<u>6,415,669</u>
Expenditures:			
Current:			
Instruction			
Basic programs	2,029,650	-	2,029,650
Added needs	807,963	-	807,963
Total instruction	<u>2,837,613</u>	<u>-</u>	<u>2,837,613</u>
Support services:			
Pupil	268,082	-	268,082
Instructional staff	400,308	-	400,308
General administration	518,787	-	518,787
School administration	677,539	-	677,539
Business and fiscal services	259,804	-	259,804
Operations/maintenance	946,046	-	946,046
Pupil transportation services	22,236	-	22,236
Central	201,751	-	201,751
Total support services	<u>3,294,553</u>	<u>-</u>	<u>3,294,553</u>

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures (concluded):			
Current (Concluded):			
Community services	23,687	-	23,687
Facilities Acquisition and Improvements	6,400	-	6,400
Food service	-	222,055	222,055
Athletics	-	29,895	29,895
Debt service:			
Principal retirements	185,926	-	185,926
Total expenditures	6,348,179	251,950	6,600,129
Excess (deficiency) of revenues over expenditures	(152,217)	(32,243)	(184,460)
Other financing sources (uses):			
Operating transfers in	-	32,243	32,243
Operating transfers out	(32,243)	-	(32,243)
Payments from other public schools	62,350	-	62,350
Total other financing sources (uses):	30,107	32,243	62,350
Net change in fund balances	(122,110)	-	(122,110)
Fund balances:			
Beginning of year	729,948	-	729,948
End of year	<u>\$ 607,838</u>	<u>\$ -</u>	<u>\$ 607,838</u>

See notes to financial statements.

Academy for Business and Technology
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2008

Net change in fund balances total governmental funds	\$ (122,110)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital outlay	17,772
Depreciation expense	(241,664)
	185,926
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	
Accrued interest is recorded in the statement of activities when incurred; it is not recorded in the governmental funds until it is paid.	
Accrued interest payable beginning of the year	770
Accrued interest payable end of the year	(23)
	<u>747</u>
Change in net assets of governmental activities	<u><u>\$ (159,329)</u></u>

Academy for Business and Technology
Combining Statement of Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

Assets	Classroom Business	Extra Curricular Activities	Parent Involvement Committee	Total Agency Funds
Current assets:				
Due from general fund	\$ 871	\$ 1,500	\$ 1,185	\$ 3,556
Total current assets	<u>\$ 871</u>	<u>\$ 1,500</u>	<u>\$ 1,185</u>	<u>\$ 3,556</u>
Liabilities				
Current liabilities:				
Due to classroom business group	\$ 871	\$ -	\$ -	\$ 871
Due to extra curricular activities groups		1,500		1,500
Due to parent involvement committee	-	-	1,185	1,185
Total current liabilities	<u>\$ 871</u>	<u>\$ 1,500</u>	<u>\$ 1,185</u>	<u>\$ 3,556</u>

See notes to financial statements.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

The accounting policies of Academy for Business & Technology (the Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy.

A. Reporting Entity

Academy for Business & Technology is a public school academy. A public school academy is a Michigan Public School System under Public Act No. 362 of 1993 and is subject to the leadership and general supervision of the State Board of Education. Eastern Michigan University is the authorizing body of the Academy and has contracted with the Academy confirming the status of the public school academy. Academy for Business & Technology's school board is approved by the authorizing body and is authorized to manage the property and affairs of the Academy. The school board does not include any component unit within its financial statements as defined in Governmental Accounting Standards Board *Statements No. 14 and No. 39*.

B. Charter-Wide and Fund Financial Statements

Measurement focus, basis of accounting, and financial statement presentation

CHARTER-WIDE STATEMENTS

The charter-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The charter-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, and other unrestricted items are not included as program revenues but instead as *general revenues*.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

In the charter-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Academy has no restricted assets as of June 30, 2008.

The Academy first utilizes restricted resources to finance qualifying activities.

The charter-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This charter-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the charter-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The charter-wide financial statements are using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

FUND BASED STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major fund:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following non-major fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The school service funds are special revenue funds that separate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The Academy maintains full control of these funds. The school *service funds* maintained by the Academy are the *food service fund* and the *athletic fund*.

As a general rule, the effect of interfund activity has been eliminated from the charter-wide financial statements except for any accounts due to or due from the special revenue fund as related to the other governmental funds.

Fiduciary funds account for assets held by the Academy as an agent on behalf of others. Fiduciary funds are not included in the charter-wide statements. The Academy has three fiduciary funds called agency funds which primarily account for student and parent group activities.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

The Academy reports its investments in accordance with GASB *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB *Statement No. 40, Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are value at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of the investments as outlined above.

2. Receivables

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to charter schools based on information supplied by the schools. For the year June 30, 2008 the foundation allowance was based on the pupil membership counts taken in September of 2007 and February of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sale and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30 is reported as state aid receivable.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

The Academy also receives revenue from the State to administer certain categorical education programs, State rules required that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the charter-wide and fund financial statements.

4. Fund Equity Balance

The unreserved fund equity balances for governmental funds represent the amount available for budgeting future operations. The reserved fund equity balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets are not available for appropriation. The designated fund equity balances for governmental funds represent tentative plans for future use of financial resources.

5. Capital Assets

Capital assets, which include furniture and fixtures, computers, and leasehold improvements, are reported in the applicable governmental activities column in the charter-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure type assets.

Depreciation on all assets is provided using the straight-line method over the following useful lives:

Leasehold Improvements	3 -15 years
Computers	3 years
Equipment	3-6 years
Furniture & Fixtures	7 years

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

6. Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts

Note 2. Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for capital outlay, which is reported in the function, or activity it services. Annual appropriated budgets are adopted for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end.

The Academy maintains a formalized encumbrance accounting system.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The Management Organization submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and special revenue funds.
- B. Public hearings are conducted to obtain local public comments.
- C. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (Public Act No. 2 of 1968). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the Budgetary Comparison Schedule – general fund and special revenue funds.
- D. The management company is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

E. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.

F. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

G. The Academy had the following General Fund budget function overdrafts for the year ended June 30, 2008:

1. Basic programs	\$20,448
2. General administration	7,063
3. Pupil transportation services	1,885
5. Operating transfers out	7,034

H. The Academy had the following Food Service Fund budget function overdraft for the year ended June 30, 2008:

1. Food service	\$20,487
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I. The Academy had the following Athletic Fund budget function overdraft for the year ended June 30, 2008:

1. Athletic supplies and fees	\$5,095
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ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 3. Deposits

The Academy for Business and Technology is governed by the deposit and investment limitations of Michigan State law which limitations are indicated in the Summary of Significant Accounting policies reported earlier. The deposits held at June 30, 2008 totaled \$282,329.

Custodial Credit Risk

In the case of the deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2008, \$258,522 of the Academy's bank balance of \$358,522 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of October 3, 2008, FDIC coverage of deposits increased from \$100,000 to \$250,000 per official custodian.

Note 4. Receivables

Receivables as of year-end were as follows:

	General <u>Fund</u>
Receivables:	
Federal	\$ 58,170
State	1,017,900
Local	<u>71,703</u>
 Total Net Receivables	 <u><u>\$ 1,147,773</u></u>

All receivables were deemed collectible as of June 30, 2008.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 5. Capital Assets

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 1,354,666	\$ 6,400	\$ -	\$ 1,361,066
Site Improvements	12,265	-	-	12,265
Computers, Equipment & Furniture	327,953	11,372	1,351	337,974
Educational Media & Textbooks	<u>16,801</u>	<u>-</u>	<u>-</u>	<u>16,801</u>
Subtotal	1,711,685	17,772	1,351	1,728,106
Accumulated Depreciation				
Leasehold Improvements	503,567	189,129	-	692,696
Site Improvements	1,254	1,598	-	2,852
Equipment & Furniture	205,215	48,131	1,351	251,995
Educational Media & Textbooks	<u>3,620</u>	<u>2,806</u>	<u>-</u>	<u>6,426</u>
Subtotal	<u>713,656</u>	<u>241,664</u>	<u>1,351</u>	<u>953,969</u>
Net Governmental Capital Assets	<u>\$ 998,029</u>	<u>\$ (223,892)</u>	<u>\$ -</u>	<u>\$ 774,137</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$241,664. Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

Instruction	\$ 24,512
Support	80,670
Unallocated	<u>136,482</u>
	<u>\$ 241,664</u>

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 6. Operating Leases

The Academy has previously entered into operating lease agreements for buildings for the elementary, middle, and high school. The academy is responsible for insurance, utilities, repairs, and maintenance. The academy incurred rent expense in connection with the leases of approximately \$514,442 for the year ended June 30, 2008, which included \$242,520 for the elementary building and \$271,922 for the middle and high school building.

The school entered into an agreement on August 1, 2003 with the Archdiocese of Detroit, Michigan to lease "property" for the period August 1, 2003 and ending June 30, 2013 to be used for the elementary school. The lease requires minimum payments of \$225,000 per year ending December 31, 2007, and minimum payments of 275,000 per year for the remainder of the lease.

The school entered into an agreement on July 1, 2005 with the Archdiocese of Detroit, Michigan to lease "property" for the period July 1, 2005 and ending June 30, 2010 to be used for the middle school and high school. The agreement provides that the lessor will apply a credit in the amount of \$4,033 against the monthly rent up to a maximum credit of \$242,000. The credit is based upon the assumption that the school will be responsible for the leasehold improvements necessary to meet the applicable health, fire, and life safety codes that are expected to cost a total of \$484,000. The total rental credit amount will be reduced accordingly to 50% of the actual cost.

Minimum annual payments required on current active leases are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>		
	Elementary <u>School</u>	Middle/High <u>School</u>	<u>Total</u>
2009	\$ 275,000	\$ 282,000	\$ 557,000
2010	275,000	294,000	569,000
2011	275,000	-	275,000
2012	275,000	-	275,000
2013	275,000	-	275,000
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Total	\$ 1,375,000	\$ 576,000	\$ 1,951,000
	<hr/>	<hr/>	<hr/>

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 7. Long-term Debt

Long-term obligation activity can be summarized as follows:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion of</u> <u>Long Term</u> <u>Debt</u>
Constuction Loan	\$ 211,765	\$ -	\$ 185,926	\$ 25,839	\$ 25,839
Total	<u>\$ 211,765</u>	<u>\$ -</u>	<u>\$ 185,926</u>	<u>\$ 25,839</u>	<u>\$ 25,839</u>

Annual debt service requirements to maturity for the above Construction Loan are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,839	\$ 153	\$ 25,992
Total	<u>\$ 25,839</u>	<u>\$ 153</u>	<u>\$ 25,992</u>

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 8. Interfund receivables, payables, and transfers

The amount of interfund receivables and payables are as follows:

	Classroom Business Fund	Extra Curricular Activities Fund	Parent Involvement Committee Fund	Total Interfund Payable
General Fund	\$ 871	\$ 1,500	\$ 1,185	\$ 3,556
Total Interfund Receivable	<u>\$ 871</u>	<u>\$ 1,500</u>	<u>\$ 1,185</u>	<u>\$ 3,556</u>

The transfers from the General Fund to the Food Service Fund and the Athletic Fund were made to compensate for expenditures in excess of the revenues of each respective fund.

	Transfer In:		
	Food Service Fund	Athletic Fund	Total
Transfer Out:			
General Fund	\$ 2,348	\$ 29,895	\$ 32,243
Total Transfer Out	<u>\$ 2,348</u>	<u>\$ 29,895</u>	<u>\$ 32,243</u>

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 9. Revenue Anticipation Note

The Academy has an outstanding revenue anticipation note of \$1,036,000, with an interest rate of 3.75% to assist with operational cash flows prior to the receipt of state aid payments. The note is secured by funding provided from the State of Michigan's foundation grant revenue. The balance at June 30, 2008 was \$188,364. The Academy is confident that the note will be renewed for the 2008-2009 school year.

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
2006 - 2007	\$ 168,182	\$ -	\$ 168,182	\$ -
2007 - 2008	<u>-</u>	<u>1,036,000</u>	<u>847,636</u>	<u>188,364</u>
Total	<u>\$ 168,182</u>	<u>\$ 1,036,000</u>	<u>\$ 1,015,818</u>	<u>\$ 188,364</u>

Note 10. Purchased Services

The Academy leases all employee services from The Leona Group, L.L.C. Salaries, retirement, social security, health insurance, dental insurance, vision insurance, and unemployment taxes are the responsibility of this management company.

Note 11. Management Company

The Leona Group, L.L.C. provides management services under a Consultancy Services Agreement which was renewed on July 1, 2007 and expires on June 30, 2012. The management company is responsible for all the management operation, administration, and education at the Academy. The management company's fees are 12% of gross revenues of the Academy, with exceptions for breach of contract. The management fees for the year ended June 30, 2008 were \$776,542.

Note 12. Oversight fees

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Eastern Michigan University, as set forth by contract, to reimburse the University for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2008, the Academy incurred expense of approximately \$151,560 for oversight fees.

ACADEMY FOR BUSINESS & TECHNOLOGY
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 13. Risk Management

The Academy is exposed to various risk of loss related to property loss, torts, theft of, damage to, and destruction of assets; errors and omissions; employee injuries (workers' compensation), and natural disasters, as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the management company discussed in Note 11. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

REQUIRED SUPPLEMENTARY INFORMATION

Academy for Business and Technology
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ 44,600	\$ 46,955	\$ 2,355
Other non-educational/political entity sources	-	14,000	11,642	-
State sources	5,773,008	5,418,449	5,412,018	(6,431)
Federal sources	593,676	711,899	725,347	13,448
Total revenues	6,366,684	6,188,948	6,195,962	7,014
Expenditures:				
Current				
Instruction:				
Basic programs	2,127,734	2,009,202	2,029,650	(20,448)
Added needs	517,075	877,763	807,963	69,800
Total instruction	2,644,809	2,886,965	2,837,613	49,352
Support services:				
Pupil	293,843	269,184	268,082	1,102
Instructional staff	369,782	404,285	400,308	3,977
General administration	474,873	511,724	518,787	(7,063)
School administration	621,589	684,796	677,539	7,257
Business and fiscal services	268,314	272,346	259,804	12,542
Operations/maintenance	953,610	964,753	946,046	18,707
Pupil transportation services	10,833	20,351	22,236	(1,885)
Central	219,147	210,146	201,751	8,395
Total support services	3,211,991	3,337,585	3,294,553	43,032

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Expenditures (concluded):				
Current (concluded):				
Community services	32,429	24,466	23,687	779
Facilities Acquisition and Improvements	6,000	6,400	6,400	-
Debt service:				
Principal retirements	169,412	169,412	185,926	(16,514)
Total expenditures	6,064,641	6,424,828	6,348,179	76,649
Excess (deficiency) of revenues over (under) expenditures	302,043	(235,880)	(152,217)	83,663
Other financing sources (uses):				
Operating transfers out	(27,887)	(25,209)	(32,243)	(7,034)
Proceeds from Sale of Fixed Assets	-	-	-	-
Payments from other public schools	-	-	62,350	62,350
Total other financing sources (uses)	(27,887)	(25,209)	30,107	55,316
Net change in fund balance	274,156	(261,089)	(122,110)	138,979
Fund balance:				
Beginning of year	343,765	729,948	729,948	-
End of year	<u>\$ 617,921</u>	<u>\$ 468,859</u>	<u>\$ 607,838</u>	<u>\$ 138,979</u>

ADDITIONAL INFORMATION

Academy for Business and Technology
Budgetary Comparison Schedule
Special Revenue - Food Service Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Food sales	\$ 7,200	\$ 10,700	\$ 10,712	\$ 12
State sources	-	9,459	9,459	-
Federal sources	190,000	181,000	199,536	18,536
Total revenues	<u>197,200</u>	<u>201,159</u>	<u>219,707</u>	<u>18,548</u>
Expenditures:				
Food services	197,287	201,568	222,055	(20,487)
Total expenditures	<u>197,287</u>	<u>201,568</u>	<u>222,055</u>	<u>(20,487)</u>
Excess (deficiency) of revenues over expenditures	<u>(87)</u>	<u>(409)</u>	<u>(2,348)</u>	<u>(1,939)</u>
Other financing sources (used):				
Transfer from general fund	87	409	2,348	1,939
Total other financing sources	<u>87</u>	<u>409</u>	<u>2,348</u>	<u>1,939</u>
Net change in fund balance	-	-	-	-
Fund balances				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

Academy for Business and Technology
Budgetary Comparison Schedule
Special Revenue - Athletic Fund
Year Ended June 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
Revenues:				
Dues and Fees	\$ -	\$ -	\$ -	-
	-	-	-	-
Expenditures:				
Athletic supplies and fees	27,800	24,800	29,895	(5,095)
Total Expenditures	<u>27,800</u>	<u>24,800</u>	<u>29,895</u>	<u>(5,095)</u>
Excess (deficiency) of revenues over expenditures	<u>(27,800)</u>	<u>(24,800)</u>	<u>(29,895)</u>	<u>5,095</u>
Other financing sources:				
Transfer from general fund	27,800	24,800	29,895	5,095
Total other financing sources	<u>27,800</u>	<u>24,800</u>	<u>29,895</u>	<u>5,095</u>
Net change in fund balance	-	-	-	-
Fund balances:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Academy for Business and Technology
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor governmental Funds
Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Food Service	Athletic Fund	
Revenues:			
Food sales	\$ 10,712	\$ -	\$ 10,712
State sources	9,459	-	9,459
Federal sources	199,536	-	199,536
Total revenues	<u>219,707</u>	<u>-</u>	<u>219,707</u>
Expenditures:			
Food service	222,055	-	222,055
Athletics	-	29,895	29,895
Total expenditures	<u>222,055</u>	<u>29,895</u>	<u>251,950</u>
Excess(deficiency) of revenues over expenditures	<u>(2,348)</u>	<u>(29,895)</u>	<u>(32,243)</u>
Other financing sources (uses):			
Transfer from general fund	2,348	29,895	32,243
	<u>2,348</u>	<u>29,895</u>	<u>32,243</u>
Net change in fund balances	-	-	-
Fund balances:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Academy for Business and Technology
Single Audit
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For the Year Ended June 30, 2008

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Academy for Business and Technology
19625 Wood Street
Melvindale, Michigan 48122

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy for Business and Technology, as of and for the year ended June 30, 2008, which collectively comprise Academy for Business and Technology's basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Academy for Business and Technology's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy for Business and Technology's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy for Business and Technology's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy for Business and Technology's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

that there is more than a remote likelihood that a misstatement of the Academy for Business and Technology's financial statements that is more than inconsequential will not be prevented or detected by the Academy for Business and Technology's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy for Business and Technology's internal control.

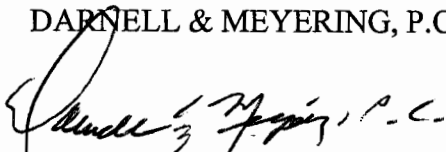
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy for Business and Technology's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, others within the entity, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DARNELL & MEYERING, P.C.



October 20, 2008

DARNELL & MEYERING, P.C.

Certified Public Accountants

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Academy for Business and Technology
19625 Wood Street
Melvindale, Michigan 48122

Compliance

We have audited the compliance of Academy for Business and Technology with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Academy for Business and Technology's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Academy for Business and Technology's management. Our responsibility is to express an opinion on Academy for Business and Technology's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Academy for Business and Technology's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Academy for Business and Technology's compliance with those requirements.

In our opinion, Academy for Business and Technology complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Academy for Business and Technology is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Academy for Business and Technology's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Academy for Business and Technology's internal control over compliance.

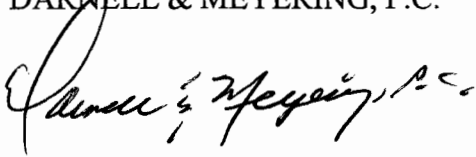
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, others within the entity, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DARNELL & MEYERING, P.C.

A handwritten signature in black ink, appearing to read "Darnell & Meyering, P.C.", written in a cursive style.

October 20, 2008

**Academy for Business & Technology
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Program Title/Project Number Subrecipient Name	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue 7/1/2007	Federal Funds/ Payments In-kind Received	Federal Expenditures	(Deferred) Accrued Revenue at 6/30/2008
Clusters:							
Child Nutrition Cluster:							
US Department of Agriculture - Pass through the State of Michigan Department of Education							
National School Lunch Program (2006-2007)	10.555	180,351	180,351	6,594	6,594	-	-
National School Lunch Program (2007-2008)	10.555	177,867	-	-	177,867	177,867	-
National School Lunch Breakfast (2007-2008)	10.553	14,835	-	-	14,835	14,835	-
		373,053	180,351	6,594	199,296	192,702	-
Food Distribution:	10.550						
Entitlement commodities		6,142	-	-	6,142	6,142	-
Bonus Commodities		692	-	-	692	692	-
		6,834	-	-	6,834	6,834	-
Total Child Nutrition Cluster		379,887	180,351	6,594	206,130	199,536	-
Special Education Cluster:							
US Department of Education:							
Passed through the Wayne County - RESA:							
IDEA:	84.027A						
Project number -00506 (2005-2006)		9,555	9,555	9,555	9,555	-	-
Project number -00607 (2006-2007)		111,034	40,683	-	70,351	70,351	-
Project number -00708 (2007-2008)		103,910	-	-	94,557	103,910	9,353
Project number 070450-0607 PBS Program		1,460	1,460	1,460	1,460	-	-
Total Special Education Cluster		225,959	51,698	11,015	175,923	174,261	9,353
Total Clusters		605,846	232,049	17,609	382,053	373,797	9,353
Other Federal Awards:							
U.S. Department of Education							
Direct Programs:							
S.M.A.R.T.S. Mentoring Grant							
Mentoring Grant (2006-2007)	84.184B	99,865	31,865	15,789	41,711	25,922	-
Mentoring Grant (2007-2008)	84.184B	99,865	-	-	63,894	69,198	5,304
		199,730	31,865	15,789	105,605	95,120	5,304
Federal Restricted (2007-2008)	N/A	972	-	-	972	972	-
		972	-	-	972	972	-
JRROTC program Grant (2006-2007)	N/A	47,285	47,285	2,839	2,839	-	-
JRROTC program Grant (2007-2008)	N/A	39,795	-	-	37,637	39,795	2,158
		87,080	47,285	2,839	40,476	39,795	2,158
Total Direct Programs		287,782	79,150	18,628	147,053	135,887	7,462

Program Title/Project Number Subrecipient Name	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue 7/1/2007	Federal Funds/ Payments In-kind Received	Federal Expenditures	(Deferred) Accrued Revenue at 6/30/2008
Passed through the Wayne County - RESA: Safe and Drug Free-Schools & Communities (2007-2008)	84.186	6,027	-	-	4,000	2,099	(1,901)
Total Noncluster Programs Passed Through the Wayne County - RESA		6,027	-	-	4,000	2,099	(1,901)
U.S. Department of Education (Continued):							
Passed through the Michigan Department of Education: Title I, Part A	84.010						
Grant # 071530 0607 (2006-2007)		311,211	295,859	52,592	67,944	15,352	-
Grant # 081530 0708 (2007-2008)		493,238	-	-	300,974	349,756	48,782
Grant # 081550 0708 (2007-2008)		25,854	-	-	-	-	-
Grant # 081520 0708 (2007-2008)		1,500	-	-	1,500	1,500	-
Improving Basic Programs		831,803	295,859	52,592	370,418	366,608	48,782
ESEA Title I --2%							
Grant # 071550 0607 (2006-2007)	84.010	29,515	952	952	952	-	-
School Improvement Grants		29,515	952	952	952	-	-
Title V, Part A	84.298						
Grant # 080250 0708 (2007-2008)		3,983	-	-	2,216	2,227	11
Innovative Programs		3,983	-	-	2,216	2,227	11
Title II, Part D	84.318						
Grant # 064290 0607 (2005-2006)		6,451	962	652	652	-	-
Grant # 074290 0607 (2006-2007)		3,195	11	11	2,757	2,746	-
Grant # 084290 0708 (2007-2008)		5,072	-	-	3,080	3,080	-
Technology Literacy Challenge Grants		14,718	973	663	6,489	5,826	-
Title II, Part A	84.367						
Grant # 070520 0607 (2006-2007)		30,495	30,495	2,275	2,275	-	-
Grant # 080520 0708 (2007-2008)		36,524	-	-	36,524	36,524	-
Improving Teacher Quality		67,019	30,495	2,275	38,799	36,524	-
Total Noncluster Programs Passed Through the Michigan Department of Education		947,038	328,279	56,482	418,874	411,185	48,793
Total Federal Awards		\$ 1,846,693	\$ 639,478	\$ 92,719	\$ 951,980	\$ 922,968	\$ 63,707

Academy for Business and Technology
Notes to Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2008

Note 1 – Significant Accounting Policies Used

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Academy for Business and Technology and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The accounting policies are the same as used in the financial statements located on pages 1 to 6 of this report.

Note 2 – Grant Section Auditor's Report and Grant Auditor Report

Management has utilized the Grants Section Auditors Report (Form R-7120) in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

Academy for Business and Technology
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness (es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness (es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	US Department of Education Title I, School Improvement.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Academy for Business and Technology
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

Prior Audit Findings: NONE